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UNCLAS SECTION 01 OF 03 BISHKEK 000542

SIPDIS

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DEPT FOR SCA/CEN (GEHRENBECK)
NSC FOR SENIOR DIRECTOR KOZAK
MCC FOR VP HARRINGTON
MCC FOR KLADAKIS AND LONGI

E.O. 12958: N/A

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SUBJECT: DECENTRALIZATION SUCCESSES IN KYRGYZSTAN

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¶1. Summary: Since 1998 USAID has been helping Kyrgyz cities to become more transparent and accountable to their citizens and more effective leaders with skills in municipal property management, financial management, and service delivery. As a result, local leaders have accomplished many firsts, including writing business plans and organizing local hearings. Not only have local governments gained the skills necessary to improve the lives of their citizens, they have empowered their citizens to become a part of the process. Kyrgyzstan's increasingly effective local self-government is not only the basic building block for democracy, but it is an example for the region. In 2006, USAID awarded a follow-on 3-year contract to its implementing partner Urban Institute to extend this assistance to 136 rural municipalities, while at the same time deepening assistance to all 25 cities. END SUMMARY

Legal Framework

¶2. With USAID assistance, the Kyrgyz Republic has put together a comprehensive legal framework that increases local autonomy. This framework includes amendments to election legislation mandating direct elections of mayors of some cities and all rural municipalities (2001), the Municipal Property Law (2002), the National Decentralization Strategy to 2010 (2002), the Law on Financial and Economic Basis of Local Self-Government (2003), and Amendments to the Law on Basic Principles of Budgeting (2004). USAID helped counterparts draft model local ordinances for municipal property management, budgeting procedures, budget hearings, and service agreements for utilities.

Early Success

¶3. An early success of the new USAID project, the Decentralization and Local Government Program (DLGP), is Parliament's passage in April 2007 of the new annual budget

law that will realize intergovernmental fiscal reform envisioned in earlier legislation by eliminating intermediary layers of government involvement budgetary control. To ensure that this is correctly implemented, DLGP provided a weeklong training for partner municipalities on the new budget system. Financial staff from the city of Kara-Balta returned home from USAID training and organized a mini-seminar for other municipal staff so they would understand the significance of the new budget law in terms of new local tax collection authority, predictable transfers from the Ministry of Finance, and ability to prioritize expenditures. The USAID training manual is left out on the desks of the finance specialists so they can constantly refer to it, write notes, and bookmark certain pages.

Public Budget Hearings

14. With USAID assistance, all cities and many villages throughout Kyrgyzstan have held public budget hearings, with the cities already institutionalizing this as an annual event. Fourteen cities adopted procedures for transparent and effective use of municipal property with open, competitive sales, leases and concessions of assets. Most cities developed participatory strategic plans, and under the new project they are updating the plans with a greater focus on local economic development. Seven cities created business plans to improve water utility operations, and subsequently received investment funding from the World Bank. Housing associations representing more than a hundred thousand residents of multi-unit buildings were formed, building democracy at its most simple level. Residents agreed to "tax" themselves to fund capital improvements resulting in the tripling of the value of their units. The result is the empowerment of local governments to improve the lives of ordinary citizens.

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Opening Minds

15. The real successes of this USAID assistance are the initiatives developed by Kyrgyz local governments once they are empowered and have opened their minds to different possibilities. The city of Uzgen lies in the poverty-stricken south of Kyrgyzstan where Kyrgyz and Uzbeks have segregated after several bloody conflicts in the 1990s. Having learned from USAID training about citizen information exchanges, the mayor of Uzgen established an advisory group of 25 representatives of all local ethnic groups to address inter-ethnic issues and serve as "people's diplomats." With this proactive measure, the local leadership now has a mechanism in place to learn about emerging conflicts and nip them in the bud early on, thus strengthening inter-ethnic stability in the region.

16. In the city of Karakol, a similar group of business and civic leaders regularly meets to advise the city leadership not only on what citizens' priority issues are, but also how to resolve them in a systemic and sustainable way. For example, on the initiative of the citizen advisory group the city established a sanitation inspectorate to ensure garbage removal. Another citizen concern was the lack of public transport from the city center to the inter-city bus station. The citizen advisory group ascertained the most needed routes and then brokered a deal with a private company to service those routes, with the city government providing all necessary permits. With donor and private sector funding, the advisory group helped establish a social development bank that provides loans to local small businessmen, and with the proceeds, provides small grants to citizen groups to address their needs. These initiatives have tangibly demonstrated the power of public-private partnerships, which are still a novel concept in Kyrgyzstan.

Donor Coordination

¶7. USAID's technical assistance has effectively leveraged large amounts of other donor funding for infrastructure investment. The World Bank provided \$685,000 to the City of Uzgen to fix its water system, but the city was having trouble collecting from residents their matching contribution of \$32,000 so the mayor utilized the principles of a USAID training session to design a public information campaign. More than 500 citizens in groups representing different parts of the community - elder respected men (aksakals), women, youth, business leaders, teachers, healthcare workers, and city council deputies - were given a tour of the works completed so far. City staff had neighborhood meetings explaining to residents how their contributions would be spent. Parents learned about it through essays written by their children at school, and billboards with before and after photos of the improvements could not be ignored. The public response was impressive, as contributions poured in. Now, with completion of the rehabilitation to the water network, several thousand people have potable water. And the residents proudly boast to their guests that they made it happen.

New Direction - Reaching Down

¶8. USAID's new partners (rural municipalities) are also eager to implement new practices. In between training sessions, partners are expected to implement homework assignments. The rural municipality Janynookat proposed that for the final round of training the participants visit their community to see how they have successfully disseminated information to citizens in low-cost, low-tech ways. Examples from Janynookat include information boards that show results of the competitive lease auctions for agricultural land;

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lists of what documents are needed to get a passport; information on cattle diseases; and a map of the municipality.

USAID Taking the Lead

¶9. USAID's project is the definitive source for what is happening with local governments in Kyrgyzstan. High-level staff of the Academy of Management and the Agency for Local Self-Government carefully read the project's bi-monthly 20 to 30 page newsletter, and local government partners regularly express the usefulness of the information. The project also extends its impact by wide dissemination of its training materials, which have been used by other donors. Experience exchanges and detailed written case studies have been very effective in sharing best practices.

Continuing Challenges

¶10. The major challenge to continued progress on local government reform consists of those remaining high-level political appointees who would prefer to control local government rather than grant more autonomy. For example, the centralized State Agency for Local Self-Government recently created an Association of Municipalities, both of which are headed by the same person (Bolotbekov), in an effort to emasculate the existing independent Association of Cities and Association of Towns and Villages. Reaction from the independent associations was strong, and included a flurry of appeals through the press and international donors that the creation of the Association of Municipalities was a step in the wrong direction. However, maintaining good relations with both entities is a necessity and the associations are going about their business and hoping for a positive change) either the abandonment of the Association of

Municipalities or its re-creation as an independent association with an elected head who represents local government interests, not the central government's interests.

¶11. Resistance to reform also complicates efforts to form consensus on issues such as the relationship of the state to local government, how to carry out state functions at the local level, and which functions should be considered own local government functions. To help address these issues, USAID is actively participating in a working group of the National Decentralization Strategy to draft legislation that would grant greater autonomy to local governments, and is educating Parliamentary deputies about the benefits of decentralization and empowerment of local government. This much seems sure, that regardless of the challenges that lay ahead, the movement toward increased local self-governance is irreversible.

YOVANOVITCH